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SUMMARY



SUMMARY

January 1, 1993

Accumulated Postretirement Benefit Obligation (APBO)

Active	\$ 748,473,000
Retired	<u>1,887,340,000</u>
Total	\$2,635,813,000

<u>Assets</u>	\$ 564,518,000
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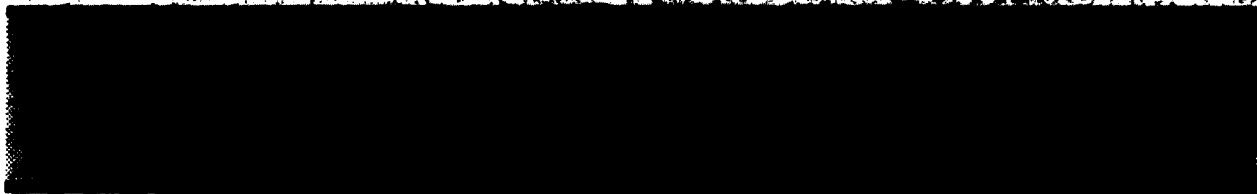
Net Periodic Postretirement Benefit Cost

Service Cost	\$ 29,003,000
Interest Cost	217,284,000
Expected Return on Plan Assets	(48,854,000)
Amortization of Transition Obligation	<u>117,716,000</u>
Total Cost	\$ 315,149,000
Estimated 1993 Annual Base Pay	\$1,747,999,000
Benefit Cost as a Percent of Annual Base Pay	18.0%
Expected Benefit Payments	\$ 159,077,000

Personnel Information

Active	50,842
Retired	<u>36,307</u>
Total	87,149

ACCOUNTING REQUIREMENTS



ACCOUNTING REQUIREMENTS

Reconciliation of Funded Status, January 1, 1993 (\$000's omitted)

The following is the reconciliation of funded status with the amounts reported in the company's financial statement. The postretirement benefit obligations (i.e., plan liabilities) are shown as negative numbers.

	<u>Health Care</u>	<u>Life Insurance</u>	<u>Total</u>
Accumulated Postretirement Benefit Obligation (APBO)			
- Active			
-- Fully Eligible	\$ (246,418)	\$ (21,962)	\$ (268,380)
-- Not Fully Eligible	(433,454)	(46,639)	(480,093)
-- Total Active	\$ (679,872)	\$ (68,601)	\$ (748,473)
- Retired	(1,736,536)	(150,804)	(1,887,340)
- Total	\$ (2,416,408)	\$ (219,405)	\$ (2,635,813)
Plan Assets at Fair Value	295,950	268,568	564,518
Funded Status	\$ (2,120,458)	\$ 49,163	\$ (2,071,295)
Unrecognized Transition (Asset)/Obligation	2,403,479	(49,163)	2,354,316
Unrecognized Prior Service Cost	0	0	0
Unrecognized Net (Gain)/Loss	0	0	0
Prepaid/(Accrued) Post-retirement Benefit Cost	\$ 283,021	\$ 0	\$ 283,021
Expected Benefit Payments	\$ 144,710	\$ 14,367	\$ 159,077

ACCOUNTING REQUIREMENTS (Continued)

Net Periodic Postretirement Benefit Cost (\$000's omitted)

	<u>Health Care</u>	<u>Life Insurance</u>	<u>Total</u>
Service Cost	\$ 25,341	\$ 3,662	\$ 29,003
Interest Cost	199,245	18,039	217,284
Expected Return on Plan Assets	(26,636)	(22,218)	(48,854)
Amortization of:			
- Transition (Asset)/Obligation	120,174	(2,458)	117,716
- Prior Service Cost	0	0	0
- Actuarial (Gain)/Loss	<u>0</u>	<u>0</u>	<u>0</u>
Net Postretirement Benefit Cost	\$ 318,124	\$ (2,975)	\$ 315,149



ACCOUNTING REQUIREMENTS (Continued)

Schedule of Amortization Payments (\$000's omitted)

	<u>Date Established</u>	<u>Amount 01/01/93</u>	<u>Amortization Period</u>	<u>Amortization Payment</u>
• Health Care				
Transition Obligation	01/01/93	\$2,403,479	20	\$120,174
Prior Service Cost	N/A	N/A	N/A	N/A
(Gain)/Loss Subject to Amortization	N/A	N/A	N/A	N/A
• Life Insurance				
Transition (Asset)	01/01/93	\$ (49,163)	20	\$(2,458)
Prior Service Cost	N/A	N/A	N/A	N/A
(Gain)/Loss Subject to Amortization	N/A	N/A	N/A	N/A



PERSONNEL INFORMATION



PERSONNEL INFORMATION

The actuarial valuation is based on the 1992 census data provided by NYNEX for the actuarial valuation of the NYNEX Pension Plans. In addition, information was provided on terminations in 1992 to update the active data. The following identifies the groups covered by the FAS 106 valuation:

- All active employees eligible for participation in the NYNEX Pension Plan except for temporary employees who have worked less than 5 years.
- All service and disability pensioners from the NYNEX Pension Plan including those eligible for disability pensions pre-1976.



PERSONNEL INFORMATION (Continued)

I. Personnel Characteristics of Active Employees as of
January 1, 1993

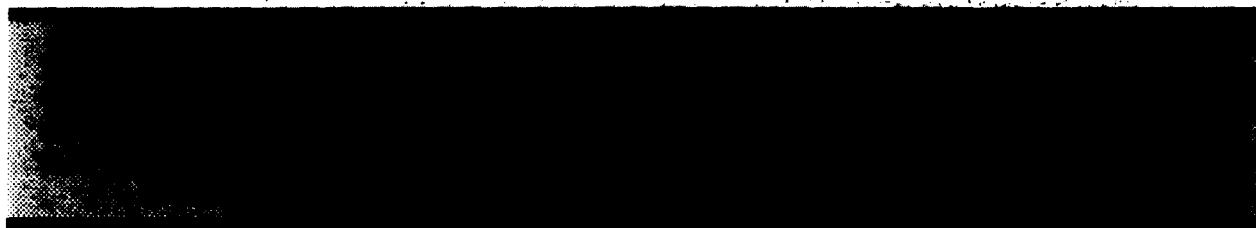
	<u>Number</u>	<u>Average Age</u>	<u>Average Years of Service</u>	<u>Average Entry Age</u>
Male	26,108	41.6	17.0	24.6
Female	24,734	41.8	16.1	25.7
Total	<u>50,842</u>	41.7	16.6	25.1

Estimated average annual base pay per active employee is
\$34,381.

II. Service and Disability Pensioners as of January 1, 1992

	<u>Number</u>	<u>Average Age</u>	<u>Average Years in Retirement</u>	<u>Average Age at Retirement</u>
Male	12,544	65.6	6.4	59.2
Female	23,763	68.9	10.4	58.5
Total	<u>36,307</u>	67.7	9.1	58.6

PLAN PROVISIONS



PLAN PROVISIONS

- **Effective Date** January 1, 1993.
- **Eligibility for Participation** Eligible to participate in NYNEX Pension Plan.
- **Eligibility for a Benefit** Retirement with either a service or disability pension as follows:

Service Pension

<u>Age</u>	<u>Years of Credited Service</u>
Any Age	30
50	25
55	20
65	10

Disability Pension

15 years of credited service with total and permanent disability.



PLAN PROVISIONS (Continued)

Medical Expense Plan

- Coordination With Medicare Post-age 65 Medicare carve-out.
- Company Contribution
 - Retired Pre-1/2/92 Company paid. However, a contribution may be required from HMO participants.
 - Retired Post-1/1/92 Following maximum company contributions based on 1991 bargaining agreement:

<u>Coverage</u>	<u>Pre-65</u>	<u>Post-65</u>
Single	\$ 6,350	\$2,180
Family	\$11,430	\$4,360

No contributions will be due from retirees before 1996. However, a contribution may be required from HMO participants.
- Hospital Room and Board and Miscellaneous 100% for 120 days (Major Medical on excess).
- Surgical 95% (Major Medical on excess).
- In-Hospital Doctor Visits 90% (Major Medical on excess).
- Out-Patient Diagnostic 100% of R&C
- Prescription Drugs Major Medical (100% over \$5 if mail order).
- Major Medical
 - Deductible 1% of pension benefit (minimum \$25; maximum \$150 per person, family maximum three times individual deductible).
 - Coinsurance 80% of R&C.
 - Out-of-Pocket Maximum (excluding deductible) \$1,000 per person.

PLAN PROVISIONS (Continued)

Medical Expense Plan (Continued)

- Lifetime Maximum on Major Medical \$250,000 per person; first \$3,500 of benefits each year not applied to maximum.
- Continuation of Dependent Coverage at Death of Retiree Company paid coverage is extended for six months after death of retiree.

PLAN PROVISIONS (Continued)

Dental Expense Plan

- Company Contribution Company paid.
- Lifetime Deductible \$50 per person for corrective care and orthodontia; waived for routine preventive and diagnostic care.
- Coinsurance
 - Routine 100% of R&C.
 - Corrective Schedule.*
 - Orthodontia Schedule.*
- Maximum Benefits
 - Non-Orthodontia \$1,250 per person (effective January 1, 1994, \$1,500).
 (Annual)
 - Orthodontia Lifetime maximum \$1,500 per person (effective January 1, 1994, \$2,000).
 (Lifetime)

*Schedule increases 5% effective January 1, 1994 and January 1, 1995 except periodontics which increases 10% effective January 1, 1995.



PLAN PROVISIONS (Continued)

Medicare Part B Premium Reimbursement

- **Employees Hired After** **No coverage.**
Return Date (11/20/89 -
12/04/89, depending on
local)

- **Retired Post-01/01/90** **\$27.90 per month (retiree only).**

- **Retired Pre-01/02/90** **\$27.90 per month (retiree and**
spouse).

Life Insurance Plan

- **Initial Benefit** 100% of annual base pay at retirement rounded up to the next \$1,000.
- **Ultimate Benefit** 50% of initial benefit.
- **Reduction Pattern**
 - **Prior to Age 66** No reduction.
 - **At Age 66** Reduced beginning at age 66 in five equal annual steps to 1/2 the initial benefit at age 70 or older.
- **Annual Base Pay** Basic wage rate, annual performance incentives, plus incentive compensation (e.g., sales commissions). If incentive compensation is used, it is based on the average annual incentive compensation paid for the 36-month period prior to retirement.
- **Company Contribution** Company paid.

HEALTH CARE CLAIMS DEVELOPMENT



HEALTH CARE CLAIMS DEVELOPMENT

Retiree health care costs for 1993 are based on retiree paid claims for 1991. Due to the size of the claim base, no creditability or smoothing adjustments were made in the rating process. This approach assumes that the retiree claim base is representative of current and future (with cost trend) plan costs. The 1991 claims cost was "trended" to 1993 based on the assumptions outlined in this section.

HEALTH CARE CLAIMS DEVELOPMENT (Continued)

• Medical Expense Plan

	<u>Medical</u>	
	<u>Pre-Age 65</u>	<u>Post-Age 65</u>
Total 1991 Paid Claims	\$39,932,837	\$29,026,251
Estimated Adjustment to True Age for Dependent Claims Reported Based On Retiree Age	+ 1,355,443	- 1,355,443
Adjusted 1991 Paid Claims	\$41,288,280	\$27,670,808
Average 1991 Covered Group	+ 13,757	+ 28,348
1991 Average Paid Claims Per Covered Participant	\$ 3,001	\$ 976
Trend (2 Years at 13% and 18%)	x 1.3334	x 1.3334
1993 Expected Cost Per Covered Participant	\$ 4,002	\$ 1,301

Age Graded Rates

The claims rate for the medical expense plan has been established separately for the under age 65 and over age 65 groups. Actual costs will be influenced by age at retirement and overall aging of the retiree group. To recognize this in the valuation, we used age-graded costs assuming increases as follows:

<u>Medical Expense Plan</u>	
Under Age 65	2.0% per year
Over Age 65	1.0% per year up to age 80

HEALTH CARE CLAIMS DEVELOPMENT (Continued)

• Dental Expense Plan

	<u>Dental</u>
Total 1991 Paid Claims	\$6,195,216
Average 1991 Covered Group	<u>+ 44,357</u>
1991 Average Paid Claims Per Covered Participant	\$ 140
Trend (2 Years at 5% Per Year)	<u>x 1.1025</u>
1993 Expected Cost Per Participant	\$ 154

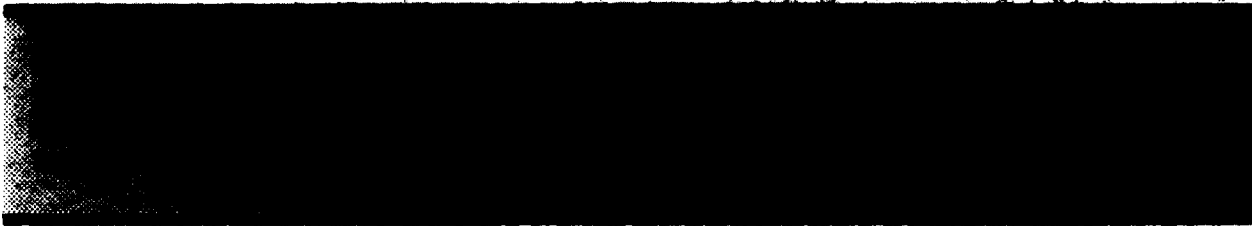
HEALTH CARE CLAIMS DEVELOPMENT (Continued)

• Administrative Cost

	<u>Medical</u>	<u>Dental</u>
Total 1991 Administrative Cost	\$4,494,273	\$754,183
Average Covered Retirees	+ <u>28,546</u>	+ <u>29,770</u>
1991 Average Administrative Cost Per Retiree	\$ 157	\$ 25
Trend (2 Years at 3.5% Per Year)	x <u>1.0712</u>	x <u>1.0712</u>
1993 Administrative Costs Per Retiree	\$ 168	\$ 27



ACTUARIAL ASSUMPTIONS



ACTUARIAL ASSUMPTIONS

Demographic Assumptions

- Mortality Table
 - Active See Table A.
 - Retiree See Table B.
 - Dependent 1983 Group Annuity Mortality Table.
- Withdrawal See Table C.*
- Disability See Table D.
- Retirement Age See Table E.*
- Plan Participation All employees assumed to elect coverage.
- Dependent Coverage
 - New Retirees
 - Male 80%.
 - Female 60%.
 - Current Retirees Based on current coverage elected.
- Spouse Age A wife is assumed to be three years younger than her husband.
- HMO Participation Cost of HMO participation is assumed to be identical to indemnity plans.
- Calculation Date January 1, 1993.

*These tables represent a sample of the entire set of assumptions.



ACTUARIAL ASSUMPTIONS (Continued)

Demographic Assumptions (Continued)

• Employee Data

- Retirees

The 1992 census data was valued as of January 1, 1992 and projected forward to January 1, 1993 assuming no actuarial gain or loss.

- Actives

The 1992 census data, reduced for all terminations through October of 1992, which did not result in postretirement benefit eligibility, was valued at January 1, 1993. Temporary employees who have less than 5 years of service are excluded from the calculation. The annual base pay for the life insurance benefit was based on 1992 pay projected to 1993 at 4%.

ACTUARIAL ASSUMPTIONS (Continued)

Economic Assumptions

- Discount Rate 8.5%.
- Expected Rate of Return On Plan Assets (After-Tax)
 - Health Care 9.0%.
 - Life Insurance 8.5%.
- Salary Growth 4.0%.
- Medical Cost Growth Medical trend rate (see Table F).
- Dental Cost Growth See Table F.
- Administrative Cost Growth 3.5%.
- AT&T Reimbursement For all retirees with a Pension Effective Date prior to January 2, 1984, postretirement medical and dental costs are reimbursed based on a constant factor currently equal to 11.11% of total costs.

